

Message Text

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ACTION ARA-20

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TO SECSTATE WASHDC 1613

INFO USCINCSO

AMEMBASSY BRASILIA

AMEMBASSY LIMA

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C O N F I D E N T I A L LA PAZ 7177

E.O. 11652: GDS

TAGS: PINT, PGOV, BL

SUBJ: REASONS BEHIND THE MNR WITHDRAWAL FROM THE GOVERNMENT

REF: LA PAZ 7128 AND LA PAZ A-209, OCT 15, 1973

1. SUMMARY. NOTE: THE FOLLOWING IS A SYNTHESIS OF VIEWS OF THE RECENT ACTIONS OF THE MNR AS EXPRESSED TO AN EMBOFF BY SEVERAL GOOD MNR CONTACTS. IN BRIEF, THE MNR SAY THEY WALKED OUT BECAUSE THEY LOST CONTROL OF THE SO-CALLED ECONOMIC MINISTRIES TO A PRIVATE INTEREST GROUP AND, UNDER THE CIRCUMSTANCES, COULD NOT CONTINUE THEIR SUPPORTIVE ROLE IN THE FPN WITHOUT RISKING AN UNACCEPTABLE LOSS OF PUBLIC SUPPORT. END SUMMARY.

2. THE MNR HAS BEEN AWARE FOR SOME TIME THAT ITS POLITICAL BASE WAS ERODING AS A RESULT OF ITS ASSOCIATION WITH A RIGHT-WING, INEFFECTIVE GOVERNMENT IN WHICH IT COULD NOT EXERT THE

DEGREE OF INFLUENCE WARRANTED BY ITS RELATIVE POLITICAL STRENGTH. BEFORE THZ PENULTIMATE CABINET SHUFFLE, THE FIVE MNR MINISTRIES WERE IN EFFECT INDEPENDENT OPERATORS MORE RESPONSIVE TO BANZER
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AND THEIR OWN INTERESTS THAN TO PARTY DIRECTIVES. THIS WAS

CORRECTED IN THZ PENULTIMATE CABINET SHUFFLE WHEN DR. PAZ NAMED THE FIVE MNR MINISTERS AND PRESENTED BANZER WITH THZ ULTIMATUM OF ACCEPTING THE FIVE OR SEEING THE MNR PULL OUT OF THZ GOVERNMENT. DURING THE 80-DAY LIFE OF THAT CABINET, THE MNR MINISTERS MET ON A REGULAR BASIS WITH THZ MNR PARTY HIERARCHY TO DECIDE POLICY MATTERS. THEIR RECOMMENDATIONS TO BANZER AND THEIR OFFICIAL ACTS WERE IN ACCORD WITH POLICIES DETERMINED BY THE PARTY. THIS WAS EVIDENT IN THE FINAL OUTCOME OF THE SO-CALLED ECONOMIC PACKAGE, FOR INSTANCE, IN WHICH THZ MNR SUCCEEDED IN SOFTENING THE IMPACT ON THE LOW INCOME EARNER AND IN BLOCKING THE ATTEMPTS OF THE MINING INTERESTS TO REDUCE "REGALIA" PAYMENTS TO THE GOB. HOWEVER, IN THZ LATEST CABINET SHUFFLE, THZ MNR NOT ONLY WAS REDUCED IN NUMBER FROM FIVE TO THREE, BUT AT LEAST TWO OF THE REMAINING THREE ARE NOT RESPONSIVE TO DR. PAZ AND THE PARTY HIERARCHY. THE PARTY, THEREFORE, AGAIN WOULD HAVE BEEN PLACED IN A POSITION OF GIVING POLITICAL SUPPORT TO THZ GOB WITHOUT ANY EFFECTIVE DEGREE OF INFLUENCE ON GOB DECISIONS. THIS WAS NOT ACCEPTABLE TO DR. PAZ, OR THZ PARTY HIERARCHY, AND THE MNR LEFT THE GOVERNMENT.

3. TWO OF THE THREE MNR MINISTERS WHO HAVE DECIDED TO STAY IN THE GOVERNMENT, LEMA PATINEO (MINES) AND FRANCO (LABOR), ARE CONTROLLED BY PRIVATE MINING INTERESTS, AS IS THE NEW MINISTER OF FINANCE. THIS IS THE REASON BEHIND DR. PAZ' REMARK THAT THZ LATEST CABINET SHUFFLE ONLY BENEFITED LARGE PRIVATE ENTERPRISE. IF THE REGALIAS OF THE MINING SECTOR ARE REDUCED AND/OR IF THE MINING SECTOR IS SUPPORTED IN ITS DESIRE TO BUY THE WILLIAMS-HARVEY TIN SMELTER IN THZ U.K., THAT WILL PROVE THE POINT. EITHER MEASURE WOULD BE PREJUDICIAL TO OVERALL BOLIVIAN INTERESTS, BUT BENEFICIAL TO CERTAIN PRIVATE INTERESTS. THE MINING INTERESTS HAVE BEEN WORKING TOWARD THIS CABINET CHANGE FOR SEVERAL WEEKS, BUT WERE NOT ABLE TO ACT UNTIL THE LATEST CABINET CRISIS. IN THZ CABINET CRISIS, THE BANZER REGIME BOWED TO PRESSURES FROM THE SO-CALLED GENERATIONAL GROUP OF MILITARY OFFICERS TO DUMP THE FOREIGN MINISTER (BECAUSE OF HIS BLATANT FAVORITISM FOR BRAZIL OVER ARGENTINA), AND SOLD OUT TO THE MINING INTERESTS IN ALLOWING THE LATTER TO DESIGNATE THEIR OWN PEOPLE IN THREE KEY MINISTRIES.

4. THE MNR CONVENTION, IF HELD, PROBABLY WILL SPLIT WITH A
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MAJORITY SUPPORTING THE OTERO CALDERON (ANTI-PAZ) WING OF THE PARTY, AND THEREBY ENDORSING THE MNR PRESENCE IN THE GOVERNMENT THROUGH THE ABOVE-MENTIONED MINISTERS. THIS COULD HAPPEN BECAUSE THE GOB THROUGH ITS NEW FINANCE, LABOR, AND MINING MINISTERS WILL BE ABLE TO BUY OFF THE MAJORITY OF CONVENTION DELEGATES, PARTICULARLY IF DR. PAZ AND HIS MAIN COTERIE GO INTO EXILE BEFORE THE CONVENTION. NEVERTHELESS, PAZ WILL CONTINUE TO CONTROL THE MNR, WHETHER HE IS IN BOLIVIA

OR IN EXILE, THEREBY DENYING EFFECTIVE PARTY SUPPORT TO THE GOB.

5. THE GOB WILL NOW HAVE TO CONTEND WITH THE CHARGE THAT IT REPRESENTS ONLY PRIVATE INTERESTS, A CHARGE LEVELED BY DR PAZ IN HIS PARTING STATEMENT AND CLEVERLY CONTRIVED TO MAKE THE MILITARY REALIZE THAT THEIR IMAGE AS DEFENDERS OF THE PEOPLE IS THEREBY COMPROMISED. THE BANZER GOVERNMENT ALSO WILL FACE A VOCAL OPPOSITION, ONE THAT IS LIKELY TO GROW STRONGER AS IT PICKS UP NEW ADHERENTS, PERHAPS ALONG THE LINES OF A BROAD CENTER-LEFT COALITION.

6. COMMENT: UNTIL WE KNOW MORE ABOUT HOW SOLIDLY THE MILITARY IS BEHIND THE BANZER GOVERNMENT AS NOW CONSTITTUTED, WE ARE UNABLE TO MAKE A SOUND JUDGEMENT CONCERNING THE EFFECTS THE MNR WITHDRAWAL MAY HAVE ON THE GOVERNMENT'S ABILITY TO CARRY OUT ITS PROGRAMS. THE
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